

Message Text

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72

ACTION ARA-20

INFO OCT-01 ISO-00 AF-10 EA-11 EUR-25 NEA-10 RSC-01 IO-14

SCEM-02 INT-08 GSA-02 EPA-04 CEQ-02 SPC-03 AID-20

EB-11 NSC-10 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15

PRS-01 DRC-01 /252 W

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R 252100Z OCT 73

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1596

INFO AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

PORT OF SPAIN 696

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

AMEMBASSY OTTAWA

C O N F I D E N T I A L CARACAS 9160

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: COMMENTS OF CREOLE PRESIDENT ON PETROLEUM SITUATION

REF: CARACAS 9006

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1. I HAD A CONVERSATION THIS AFTERNOON WITH DOLPH, PRESIDENT OF CREOLE PETROLEUM CORPORATION, WHO RETURNED LAST NIGHT FROM NEW YORK. HE IS PESSIMISTIC AS TO IMMEDIATE AND LONG-RANGE PROSPECTS FOR THE WORLD PETROLEUM INDUSTRY AND IS NOT OPTIMISTIC WITH REGARD TO VENEZUELA, WHICH HAS NO POLITICAL REASONS FOR CURTAILING PRODUCTION BUT WHICH FEELS IN A SITUATION BORDERING ON EUPHORIA BECAUSE OF PRESENT AND FUTURE PRICE INCREASES FOR OIL.

2. DOLPH TOLD ME THAT RECENT DECISION OF ARAB PRODUCING COUNTRIES TO WITHHOLD EXPORTS TO THE UNITED STATES WOULD RESULT IN BETWEEN 10 AND 15 PER CENT CURTAILMENT OF US PETROLEUM IMPORTS; AND HE PREDICTED A CHILLY WINTER FOR US CITIZENS. HE WAS FURTHER AWARE OF THE VERY GREAT LEVERAGE POSSIBILITIES WHICH COULD BE EXERTED BY THE ARAB COUNTRIES ON JAPAN.

3. AS FOR OUR LOCAL SCENE, DOLPH EXPECTS A PRICE INCREASE NEXT WEEK OF PERHAPS \$2 A BARREL. HE LIKEWISE HINTED THAT VENEZUELANS MIGHT CHOOSE THIS INOPPORTUNE MOMENT TO INITIATE A CONSERVATION SCHEME, POSSIBLY EVEN REDUCING THEIR DAILY PRODUCTION.

4. COMMENT: IF I KNOW MY VENEZUELANS THEY WILL NOT UNDERTAKE A REDUCTION OF PETROLEUM UNLESS THIS BE COUPLED AS A THREAT WITH A DEMAND FOR INCREASED PARTICIPATION DOWN-STREAM. IN THIS CONNECTION WE RECALL CONVERSATION OF CANADIAN MINISTER OF MINES AND ENERGY AS REPORTED CARACAS 9006. IN ANY EVENT, VENEZUELANS FEEL IN A FEISTY MOMENT AND WILL POSSIBLY BE IN NO MOOD TO BE ACCOMMODATING IF THEY CAN SEE AN OUNCE OF ADVANTAGE TO BE GAINED IN THEIR OWN FAVOR FROM THE COMPANIES. HOWEVER, WE ARE ONLY SIX WEEKS AWAY FROM THE PRESIDENTIAL AND CONGRESSIONAL ELECTIONS AND THERE MAY BE AN OPPORTUNITY AFTER THE NEW GOVERNMENT AND CONGRESS ARE ELECTED TO SEEK COUNCILS OF MODERATION.
MCCLINTOCK

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